DEPARTMENT OF MANAGEMENT AND BUDGET

FLEET SERVICES REPORT

PREPARED FOR
SENATE APPROPRIATIONS SUBCOMMITTEE ON GENERAL GOVERNMENT
HOUSE APPROPRIATIONS SUBCOMMITTEE ON GENERAL GOVERNMENT
SENATE FISCAL AGENCY
HOUSE FISCAL AGENCY

AS REQUIRED UNDER
PUBLIC ACT 327 OF 2004, SECTION 715(4)

Agency Services
Vehicle and Travel Services
August 25, 2005

ACTIONS TO REDUCE THE STATE'S FLEET EXPENDITURES AND NUMBER OF VEHICLES

As required under Public Act 327 of 2004, section 715 (4), this report details the status of actions taken to reduce statewide motor vehicle expenditures and the size of the statewide motor vehicle fleet. The Department of Management and Budget will continue to work with the legislature to meet the mutual goal of reducing the statewide fleet size and statewide fleet expenditures.

The state's fleet consists of various types of vehicles, including passenger vehicles and miscellaneous off-road and non-propelled equipment. As of June 30, 2005, the state's permanent leased fleet (including 289 vehicles provided to colleges and universities) was 7,513 vehicles.

In addition, the Michigan Department of Transportation (MDOT) and the Michigan Department of Natural Resources (DNR) maintain agency-owned fleets, consistent with P.A. 431 (DMB Act) allowances. MDOT's fleet includes light duty trucks as well as heavy road maintenance vehicles and related ancillary off-road equipment. The MDOT owned fleet consists of 1,420 vehicles, including 708 passenger vehicles and light duty trucks. DNR maintains a fleet for on and off-road functions, including mowers, ATVs, snowmobiles, dump trucks, fire trucks, etc. DNR owns approximately 236 on-road vehicles, and 1,154 off-road units and non-propelled equipment.

Description of Actions Taken

Elimination of vehicles from the state's fleet – From October 1, 2002 through May 27, 2003, 1,293 vehicles were removed from the state's permanent fleet. With Executive Directive 2003-18, another 1,200 vehicles were targeted for reduction; by September 30, 2004, this goal had been met with 1,234 additional vehicles removed. The resulting savings met the Department of Management and Budget's target to reduce fleet expenditures by $13 million.

Controls on fleet size – The Department of Management and Budget has implemented controls on fleet size including requirements for submission of a fleet plan by department, identification of seasonal needs, and strict approval requirements for any additions to the state's leased fleet of passenger vehicles and light duty trucks in the state's owned fleet.

Reduction in the number of vehicles in the Lansing Capitol Complex and Secondary Complex Motor Pools – DMB maintains central pools to meet the needs of state employees requiring short-term vehicle rentals of 10 days or less. To reduce costs associated with motor pool maintenance and to change travel behavior, motor pool inventories were targeted for a reduction of 46 vehicles. To date, 50 vehicles have been reduced from the Lansing motor pools.

Consolidation of state agency pools – Agencies maintain inventories of pool vehicles available for their use. DMB continues to review vehicle location, proximity to other departments and usage. To date, three motor pools have been established in Escanaba, Traverse City, and Detroit. The creation of these pools has resulted in fleet reductions of 10 vehicles.

Personal vehicle usage – Personal use of an employee's vehicle is offered as one alternative to state agencies maintaining vehicles in their fleets that do not meet the mileage criteria. Other usage data (frequency of vehicle use, drivers' logs) may indicate a fleet vehicle assignment is appropriate despite low mileage. When vehicles are identified with low mileage, DMB asks agencies to investigate these vehicles for appropriateness of assignment and/or removal from the fleet. The IRS standard mileage rate is approved by the Civil Service Commission as the basis for employee reimbursement for premium mileage. On January 1, 2005, that rate was raised from 37.5 cents to 40.5 cents per mile. Personal vehicle reimbursement data will be reviewed in the next quarter with departments to determine if vehicle fleet assignments should be changed or other actions taken to ensure the most cost-effective solution is being utilized for travel.

Specialty vehicle assignments – DMB now assigns a standard fleet vehicle to department directors, rather than a specialty model that is more costly to purchase and maintain.

Establishment of vehicle type to match job requirement – A key to reducing costs is the alignment of the need for a vehicle with the actual job performed. An in-depth comparison of job specifications and vehicle type was completed, resulting in a reduction of models presented for ordering.

Reduction in the number of models/types of vehicles offered – Based on the comparison of job specification and vehicle type, models were identified according to the job required. In FY05, 33 models were selected. This is significantly down from 104 selections offered in FY03 and up slightly from 21 model selectors in FY04. The increase was required to accommodate fleet needs for trucks that were not acquired in FY04, hybrid vehicles, and selectors modified to match the right vehicle for the job. FY06 selectors are currently under development.

Elimination of unnecessary vehicle options – In conjunction with reducing the number of models offered, a review was conducted of the options required for the driver to perform job-related duties. It was determined that options, including window tinting, all wheel drive, bucket seats, and some security screen configurations, were unnecessary and were eliminated.

Assessment of early termination fees – To encourage accountability, DMB will require agencies that turn in a vehicle early to be assessed lost resale dollars. This assessment is included in the agreement between DMB and departments that drive state vehicles.

Fuel Costs – DMB will explore negotiating with gas stations for discounts to the state, directing employees to refuel at these locations. Speedway is the only discounted vendor at this time. Additional fuel costs may be incurred as a result of the American Job Creation Act of 2004 that became effective in March 2005. A provision of the act significantly complicates the state's ability to purchase fuel exempt of federal excise taxes through its fuel card vendors. The IRS has postponed issuing regulations in this matter until legislative remedies can be proposed and passed by Congress. Those remedies are contained in the Highway Bill, recently signed into law. Final details of the bill, effective January 1, 2006, will be reviewed for impact on the state's fuel card program. Vehicle and Travel Services continues to closely monitor the impact of fuel on its appropriation. Significant increases in fuel costs may necessitate additional budgetary action or the imposition of a fuel surcharge to cover rising fuel costs.

Department and driver agreements – To encourage accountability, DMB developed State Motor Vehicle Driver Agreements and department agreements detailing responsibilities of both drivers and departments related to use of the state's fleet. Departments are expected to comply with fleet policies as defined in those agreements and ensure driver compliance with specific driver policies defined by both DMB and the department.

Elimination of vehicle loaner program – DMB maintained an inventory of vehicles available to state agencies when their assigned cars were out of service. To reduce the overall fleet size and reduce costs, this program has been eliminated.

Minimize out of network expenses – DMB will minimize the use of maintenance facilities that are not in a contracted network of vendors that service state vehicles. Repairs performed by out of network facilities result in increased costs charged to the state.

Fleet Review Study – The department is currently engaged in a complete review of fleet operations including management practices compared to industry benchmarks, fleet financing options, an assessment of the state's garage operations and current fleet contracts. Recommendations from that study will be implemented to optimize fleet operations consistent with industry best practices.

Evaluation of past approach to bidding the lease management contract – DMB has competitively bid the state's fleet management contract, unbundling opportunities for bidding vehicle acquisition, vehicle financing, vehicle maintenance, accident management, and fuel card provision. A statewide Joint Evaluation Committee evaluated all bids and recommended vendor awards. The new bid results in reduced management fees from the fleet management vendor, reduced interest rate factors for vehicle financing, and additional maintenance savings. The integration of fuel card services with fleet management services will provide additional benefits through data integration.

Alternative Fuel – The state currently has twelve hybrid vehicles in the fleet, replacing existing fleet vehicles. In addition, the state negotiated an agreement with General Motors for the no-cost loan of a flex fuel vehicle, capable of operating on ethanol. This vehicle was assigned to the Department of Agriculture for a one-year term. Vehicle and Travel Services continues to support the Lansing Clean Cities initiative, providing information and support for use of alternative fuels. Executive Directive 2005-4 was issued in late April, directing DMB to develop procedures regarding use of biodiesel fuel and to require users to purchase alternative fuel (e.g., ethanol) when it is available and cost-effective. The state is negotiating final contract terms with bulk fuel providers for an option to include use of E-10 gasoline (90% petroleum/10% ethanol) in all state bulk fuel tanks. A final decision to use E-10 will be dependent upon final pricing received. Additional discussions are underway with state departments on increased use of biodiesel in appropriate settings.